

Message Text

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ACTION AID-59

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C O N F I D E N T I A L CARACAS 3307

AIDAC

SUBJECT: AID/ IDB ANNUAL REVIEW - COMMENT ON IDB PROJECTS IN
VENEZUELA

REF: A) STATE 67420; B) STATE 66864

1. WE ARE NOT IN POSITION TO PROVIDE ANY DETAILED COMMENT ON
1973 PROJECTS (PARA 1 REF A). SINCE OUR AID PROGRAM AND PERSONNEL
HAVE
BEEN REDUCING FOR YEARS AND ARE NOW NEAR POINT OF VIRTUAL
CLOSE- DOWN, WE HAVE LITTLE CONTACT WITH INTERNATIONAL AID PRO-
JECTS, EXCEPT IN VERY FEW FIELDS IN WHICH WE STILL HAVE SOME AID
ACTIVITY. ALL OTHER APPROPNDATE ELEMENTS OF MISSION WERE CHECKED,
WITH NEGATIVE RESULT AS TO DETAILS OF ANY THESE PROJECTS.
AID AFFAIRS
OFFICER FOUND OPPORTUNITY IN SOCIAL ENVIRONMENT
APRIL 16 TO DISCESS IDB PORTION IN GENERAL TERMS WITH FELIPE
VERA LA ROSA, ACTING IN CHARGE OF IDB HERE, AND ALBERTO E.
INVERNIZZI, IDB FINANCE AND OPERATIONS OFFICER, WITHOUT ASKING
ABOUT SPECIFIC PROJECTS LISTED. THEY ON THEIR PART MENTIONED
UNIVERSIDAD SIMON BOLIVAR AND SANIDAD ANIMAL PROJECTS, BUT DID
NOT VOLUNTEER ANY DETAILS, AND AID AFFAIRS OFFICER UNDER
GUIDANCE OF REF B AND FROM HIS OWN JUDGEMENT THAT PROBING WOULD
BE UNWELCOME DID NOT PURSUE MATTER FURTHER. FOLLOWING GENERAL
COMMENT IS BASED IN PART ON AID SECTION' S PAST CONTACTS WITH
ORGANIZATIONS MENTIONED, AND IN LARGER PART ON ECONOMIC/
COMMERCIAL
SECTIONS' S KNOWLEDGE OF THEM THROUGH COMMERCIAL DEALINGS.

2. ALL SIX ORGANIZATIONS LISTED FOR COMMENT AT THIS TIME IN PARA (1)
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REF (A) ARE VENEZUELAN GOVERNMENT ORGANIZATIONS. UNIVERSIDAD SIMON BOLIVAR IS A NEW PROGRESSIVE UNIVERSITY IN CARACAS WHICH SETS HIGH ENTRANCE REQUIREMENTS AND HAS SUCCEEDED IN STAYING OPEN WHEN THE OTHER UNIVERSITIES HAVE BEEN CLOSED BY STUDENT BODY CONTROVERSY. UNIVERSIDAD DE LOS ANDES IS THE GOVERNMENT UNIVERSITY IN MERIDA. SANIDAD ANIMAL IS A PART OF THE MINISTRY OF AGRICULTURE. CADAFE IS THE GOVERNMENT' S AGENCY FOR SUPPLYING ELECTRIC POWER. CORPORACION DE LOS ANDES IS THE GOVERNMENT' S CORPORATION FOR REGIONAL DEVELOPMENT OF THE ANDES AND WESTERN PLAINS AREAS. CORPORACION VENEZOLANA DE GUAYANA IS GOVERNMENT' S CORPORATION FOR HEAVY INDUSTRY AND POWER DEVELOPMENT IN SOUTHEASTERN VENEZUELA.

3. ALTHOUGH WE DO NOT HAVE KNOWLEDGE OF SPECIFIC PROJECTS INVOLVED, ORGANIZATIONS APPEAR WELL- SELECTED IN KEY SECTORS OF DEVELOPMENT. CVB AND CADAFE ARE WELL- KNOWN TO EMBASSY AS LARGE, WELL- MANAGED OPERATIONS, AND ARE KEY TARGETS FOR U. S. EXPORTERS. WITH ITS HIGH PETROLEUM INCOME AND \$1.5 BILLION IN FOREIGN EXCHANGE RESERVES, VENEZUELAN GOVERNMENT HAS HIGH CREDIT RATING. NONETHELESS, WE ADVISE EXPORT- IMPORT BANK THAT AMONG VENEZUELAN GOVERNMENT FINANCIAL AGENCIES HANDLING LOAN MATTERS, BANCO AGRICOLA Y PECUARIO AND BANCO OBRERO HAVE SOMETIMES GIVEN RISE TO COMPLICATIONS. THESE ARE UNLIKELY TO ENTER INTO PROJECTS IN FIELDS DESCRIBED IN PARA (1) REF (A), HOWEVER; MORE LIKELY INSTRUMENTS ARE CORPORACION VENEZOLANA DE FOMENTO OR BANCO DE DESARROLLO AGRO- PECUARIO, WHICH HAVE GOOD REPUTATIONS.

4. AS FOR NEED FOR LOANS AND VENEZUELA' S PRIORITY AS COMPARED WITH OTHER COUNTRIES, OUR VIEW HERE IS NEGATIVELY COLORED BY FACT WE HAVE BEEN PHASING OUT OUR BILATERAL AID PROGRAM AND ARE NEAR CLOSE- DOWN, (EXCEPT FOR SOME REGIONALLY FUNDED PROGRAMS AND PUBLIC SAFETY) ON GROUNDS THAT VENEZUELA' S PER CAPITA GNP OF \$1,200 AND ITS \$1.5 BILLION IN FOREIGN EXCHANGE RESERVES MAKE IT DIFFICULT TO JUSTIFY US AID TO VENEZUELA. WE NOTE THAT DOCU MENTS OF INTER- AMERICAN DEVELOPMENT BANK SENT TO US BY DEPARTMENT CLASSIFY VENEZUELA WITH ARGENTINA, MEXICO, AND BRAZIL IN CATEGORY OF " MORE- DEVELOPED " COUNTRIES. VENEZUELA IS SEEKING " SOFT LOANS " FROM IDB AND OTHER LIKE ORGANIZATIONS BECAUSE IT IS FINAN- CIALY ADVANTAGEOUS TO DO SO. IT CAN OFFER MORE INTERESTING PROPOSITIONS THAN MANY LESS- DEVELOPED COUNTRIES WHO NEED THE RESOURCES MORE. WE RECOGNIZE, HOWEVER, THAT DESPITE THE FACT THAT THE UNITED STATES IS A MAJOR PROVIDER OF THE FUNDS OF THE

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IDB, IT WOULD BE IMPRACTICABLE FOR THE UNITED STATES TO TAKE LEAD
IN TRYING TO ASSIGN LOW PRIORITY TO LOANS TO VENEZUELA; THIS
WOULD PROBABLY ANTAGONIZE MANY OF LATIN AMERICAN MEMBERS, AND IN
PARTICULAR VENEZUELA, WITH WHICH WE HAVE CLOSE ECONOMIC TIES.
MCCLINTOCK

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